

SUPPORT FOR ALTERNATIVE ENERGY

HOUSE

REPUBLICAN

CONFERENCE

★ GOP.GOV ★ 109TH Congress ★

DEBORAH PRYCE, CHAIRMAN

Head Start on Alternative Energy Provisions

Courtesy: Committee on Ways and Means

Last year, Congress made headway on important conservation and renewable provisions despite the Senate's failure to act on the Energy Bill Conference Report. A number of key provisions from the tax title of the Energy Bill were included in two bills that became law: the Working Families Tax Relief Act of 2004 and the American Jobs Creation Act of 2004.

Extending Tax Incentives for Renewable Energy

- The Working Families Tax Relief Act of 2004 extended \$1.2 billion of tax incentives through 2005, including:
 - Production tax credit for wind
 - Production credit for closed loop biomass-produced electricity
 - Tax credits for electric cars
 - Deductions for alternative fuel vehicles

Tax Incentives for Production from Renewable Sources

- The American Jobs Creation Act of 2004 included \$2.3 billion in tax incentives for production from renewable sources
- Six new alternative power sources now qualify for production tax credits for electricity at reduced rates:
 - Geothermal Energy, Solar Energy, Small Irrigation Facilities, Open-loop Biomass, Municipal Solid Waste (including Landfill Gas), and Refined Coal
- Because these provisions are already in the law, they are more appropriately dealt with in an expiring tax provisions package
- All six of these credits offset the Alternative Minimum Tax

Extending and Reforming Alternative Fuel Credits

- The American Jobs Creation Act of 2004 extended and reformed important alternative fuel credits

- Ethanol - tax incentives for ethanol were reformed and extended through 2010; the Highway Trust Fund was compensated for ethanol subsidies so that ethanol-producing states can receive more highway funding
- Biodiesel - new tax credits were created for biodiesel fuels through 2006
- Reforms to Small Ethanol Producers Credit – encourages broader production by allowing cooperatives to pass credits through to their patrons

2005 H.R. 6 Tax Title Expands Support for Renewables

- The H.R. 6 Tax Title expands support for renewables and alternative energy through the following provisions:
 - 15% tax credit for residential solar photovoltaic and water heating equipment
 - 15% tax credit for residential use of fuel cells
 - 15% tax credit for business use of fuel cells
 - 20% (up to \$2,000) tax credit for energy efficiency improvements to existing homes
 - Reduced tax rates for diesel-water emulsions that produce lower emissions
- All of these credits reduce Alternative Minimum Tax liability

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